GLOUCESTER COUNTY UTILITIES AUTHORITY
REPORT OF AUDIT
YEAR ENDED OCTOBER 31, 2010

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THE GLOUCESTER COUNTY
• UTILITIES AUTHORITY •

INTRODUCTION

The Gloucester County Utilities Authority, hereafter referred to as the "Authority" is pleased to present the Annual Financial Report developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments" (hereafter "GASB 34"), and related standards.

Mission

The mission of the Authority is to contribute toward the high quality of life expected and enjoyed by all residents of the Authority's service area, the county and the region by creatively applying the Authority's human, technical and financial resources. By following this general principle, the Authority will provide the facilities and services for meeting today's and tomorrow's environmental protection and economic development needs without compromising the accessibility to these resources for meeting the needs and desires of future customers, ratepayers and generations, at a reasonable cost.

Responsibility and Control

The Authority has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management's opinion the financial statements represent fairly, in all material aspects, the financial position, results of operations and cash flows of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Summary of Organization and Business

The Authority is a public body corporate and politic of the State created under the name The Gloucester County Sewerage Authority, pursuant to a resolution of the Board of Chosen Freeholders of the County adopted July 21, 1967 and the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey, as amended and supplemented. The Authority has been renamed, reorganized and has continued as a public body corporate and politic pursuant to a resolution of the Board of Chosen Freeholders of the County adopted August 7, 1978 and the Act.

The service area of the Authority is the geographical area of the County. Presently, the Authority's service area comprises approximately 166 square miles in the northwestern area of the County and covers all or portions of the Borough of Clayton, the Township of Deptford, the Township of East Greenwich, the Township of Elk, the Borough of Glassboro, the Township of Mantua, the Township of Monroe, the Borough of National Park, the Borough of Paulsboro, the Borough of Pitman, the Township of Washington, the Borough of Wenonah, the Township of West Deptford, the Borough of Westville,

Summary of Organization and Business (Continued)
the City of Woodbury and the Borough of Woodbury Heights. The total population in the region is approximately 287,860 with the System presently serving an estimated population of 230,681. The service area is predominately residential.

The Authority has the power under the Act to acquire, construct, maintain, operate and use sanitation facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the County from pollution or threatened pollution and for the improvement of conditions affecting the public health. Under the Act, the Board of Chosen Freeholders of the County may authorize the Authority to acquire, construct, maintain, operate or improve a water system, a solid waste system or a hydroelectric system.

The System
The existing treatment and conveyance system consist of approximately 74 miles of both gravity sewer and force main pipe with 10 sewerage pumping stations and 53 meter and sampling sites. The treatment plant's surface water discharge permit was rerated by the New Jersey Department of Environmental Protection to 27.5 million gallons per day (mgd) in March of 2009.

During 2010, the Authority addressed several projects. Equipment purchase was made for renovations and upgrades to gravity thickeners. Demolition and installation of equipment is to be performed during fiscal year 2011. The wastewater mining and treatment process for reclaimed water for beneficial reuse at the Pitman Golf Course has been bid and construction is expected to start in 2011. The funding for the above projects is through the New Jersey Environmental Infrastructure Financing Program.

There are several other capital projects that the Authority is considering. The impact to users for these projects would be minimal. Many of the projects relate to the sludge process operation and the cost would be structured with the customer sludge rate at the time of financing. The Authority is also planning to undertake incinerator rehabilitation and operating software upgrades. These projects have already been bid and the projects should be completed during the year 2011. The proposed projects will not be affected by the economy because they are rehabilitative in nature and are required to maintain the system.

In addition, the Authority with direction from engineering professionals shall continue to review ongoing and future regulatory programs by the Delaware River Basin Commission (DRBC) and New Jersey Department of Environmental Protection (NJDEP) affecting discharge requirements to the Delaware River.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2010
UNAUDITED

The discussion of the Gloucester County Utility Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended October 31, 2010. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

Financial Highlights

The Authority implemented an 8% increase in rates over fiscal year 2009 to support the 2010 budget. The increase was necessary for the following: contractual obligations, mandated costs, salary and wages, an increase in utilization and costs of services related to health benefits and cost increases for electric, natural gas and chemicals for systems and plant process requirements.

The customer service charge to the Authority's municipal and private customers increased from $2,260 per million gallons to $2,441 per million gallons.

The FY2010 budget included a revenue projection of $15,483,825 for sewer service charges. This projection was based upon projected flow of 17.9 million gallons per day (mgd). The actual flow to the plant averaged 20.4 mgd in FY2010. Revenues were $18,233,577.16, an increase of approximately $2,749,752.16.

Construction Expansion Fees (CEF) collected were $1,739,140.94. This is $149,140.94 more than the anticipated revenue in the budget for FY2010. The Authority collects a CEF when a new connection is made into the wastewater system due to construction within its service area in the County. The slowdown trend in the new construction housing industry will negatively impact the revenue totals projected for FY2011.

Revenue anticipated in FY2010 from the PSE&G Standard Offer Payment was projected at $375,000. This is an energy conservation program instituted under contract with Sycom Enterprises, the Gloucester County Improvement Authority and the Gloucester County Utilities Authority. Actual revenue received was $261,031.58.

Statement of Net Assets and the Statement of Changes in Net Assets

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The cause of this change may be the result of many factors, some financial and some not.

The Statement of Net Assets provides the perspective of the Authority as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Authority's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the Authority's net assets for 2010 with comparative data from 2009.

Table 1
Summary of Net Assets

	2010	2009
Current & Other Assets	31,282,716.16	27,708,861.57
Capital Assets	27,530,331.33	28,143,055.11
Total Assets	58,813,047.49	55,851,916.68
Long-term Liabilities	43,452,498.73	44,773,258.76
Other Liabilities	6,717,248.51	4,848,244.13
Total Liabilities	50,169,747.24	49,621,502.89
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(13,698,021.37)	(17,969,703.14)
Restricted	18,150,040.42	17,765,382.72
Unrestricted	4,191,281.20	6,434,734.21
Total Net Assets	8,643,300.25	6,230,413.79

The Authority's net assets were $8,643,300.25 on October 31, 2010. This was an increase of $2,412,886.46.

Table 2 shows changes in net assets for fiscal year 2010 with comparative data from 2009.

Table 2
Changes in Net Assets

	2010	2009
Revenues:		
Operating Revenues:		
Charges for Services	20,886,624.38	17,069,582.63
Other	442,396.53	626,603.69
Non-Operating Revenue	3,826,558.15	5,377,738.00
Total Revenues	25,155,579.06	23,073,924.32
Expenses:		
Operating Expenses	16,520,554.48	16,997,757.35
Non-Operating Expenses	10,494,590.33	9,056,827.90
Total Expenses	27,015,144.81	26,054,585.25
Capital Contributions	4,272,452.21	3,944,906.51
Change in Net Assets	2,412,886.46	964,245.58
Beginning Net Assets	6,230,413.79	5,266,168.21
Ending Net Assets	8,643,300.25	6,230,413.79

Revenues from charges for services increased by $3,817,041.75 due to an 8% increase in rates implemented by the Authority.

Other operating revenues decreased by $184,207.16 due to a decrease in receipts from the PSE&G energy conservation program.

Non-operating revenue decreased by $1,551,179.85 due to the decrease in loans received from the NJEIT program, a decrease in construction expansion fees collected and a decrease in interest earnings.

Operating expenses decreased by $477,202.87 due to varying factors. Personnel services decreased by $733,625.07 and contractual services increased by $214,661.66.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. This information is information that has not been presented on the face of the financial statements, for reasons of practicality, but is essential for the financial statements to be fairly presented.

Capital Assets

At the end of the fiscal year 2010, the Authority had $27,248,841.57 invested in land, site improvements, buildings, machinery and equipment and infrastructure. Note 6 shows fiscal year 2010 balances compared to 2009.

Debt Administration

At October 31, 2010, the Authority had $43,582,313.48 in outstanding debt consisting of $485,000 for a capital lease and $43,097,313.48 in various bonds and loans. For more detailed information, please refer to the Notes to the Financial Statements.

Final Comments

The budget performance of year ended 2010 has highlighted that future budgets shall require the Authority, the Board of Commissioners and staff to regularly continue to evaluate the sewer service charge flow requirements based upon historical and current trends. The Authority recognizes the importance to compete in the market place to sustain the revenue source of outside commercial and industrial waste and has amended the rate schedule accordingly.

The Authority must regularly continue to prioritize the review and consideration for the capital requirements, regulatory requirements and operation and maintenance costs of the Authority recognizing adherence to the NJDEP permit requirements.

Contacting the Authority

This financial report is designed to provide the Authority's customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. John J. Vinci, Sr., Executive Director, at Gloucester County Utilities Authority, 2 Paradise Road, Thorofare, New Jersey 08066. Please visit our website at www.gcuanj.com.

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Authority
Gloucester County Utilities Authority
West Deptford Township, New Jersey

We have audited the accompanying financial statements of the Gloucester County Utilities Authority, a component unit of the County of Gloucester, as of and for the year ended October 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Gloucester County Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gloucester County Utilities Authority, a component unit of the County of Gloucester, as of October 31, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011 on our consideration of the Gloucester County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Gloucester County Utilities Authority taken as a whole. The introductory section and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

February 18, 2011

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS

	Year Ended October 31	
	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	1,931,127.43	7,244,098.88
Investments	6,779,196.53	
Service Charges Receivable	2,536,714.07	2,574,164.31
Total Current Assets	11,247,038.03	9,818,263.19
Restricted Assets:		
Cash and Cash Equivalents	2,126,792.45	16,285,304.38
Investments	15,896,686.65	
Loans Receivable	2,012,199.00	1,605,294.00
Total Restricted Assets	20,035,678.10	17,890,598.38
Net Capital Assets	27,248,841.57	27,821,175.62
Bond/Loan Issuance Costs and Discounts, Net	281,489.79	321,879.49
Total Assets	58,813,047.49	55,851,916.68
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	1,728,110.55	814,355.08
Payroll Taxes Payable	4,857.60	4,235.60
Compensated Absences Payable	89,536.29	61,933.92
Health Insurance Claims Payable	55,689.76	113,547.89
Current Portion of Long Term Debt	2,898,520.75	2,699,374.49
Accrued Interest Payable	616,312.47	663,005.43
Total Current Liabilities	5,393,027.42	4,356,452.41
Current Liabilities Payable from Restricted Assets:		
Contracts Payable	1,223,437.29	419,289.69
Escrow Accounts	100,783.80	72,502.03
Total Current Liabilities Payable from Restricted Assets	1,324,221.09	491,791.72

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS

	Year Ended October 31	
	2010	2009
Long Term Liabilities		
Bonds and Loans Payable	40,198,792.73	42,478,383.76
Capital Lease Payable	485,000.00	935,000.00
Other Post-Employment Benefit Obligation	2,768,706.00	1,359,875.00
Total Long Term Liabilities	43,452,498.73	44,773,258.76
Total Long Term Liabilities	50,169,747.24	49,621,502.89
Net Assets:		
Investment in Capital Assets, Net of Related Liabilities	(13,698,021.37)	(17,969,703.14)
Restricted for Capital Activity and Debt Service	18,150,040.42	17,765,382.72
Unrestricted	4,191,281.20	6,434,734.21
Total Net Assets	8,643,300.25	6,230,413.79
Total Long Term Liabilities and Net Assets	58,813,047.49	55,851,916.68

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended October 31	
	2010	2009
Operating Revenues:		
Sewer Service Charges	18,233,577.16	15,091,666.03
Septage and Industrial Charges	2,653,047.22	1,977,916.60
PSE&G Standard Offer Payments	261,031.58	372,021.45
Miscellaneous Income	181,364.95	254,582.24
Total Operating Revenues	21,329,020.91	17,696,186.32
Operating Expenses:		
Personnel Services	5,963,556.93	6,697,182.00
Contractual Services	6,345,965.08	6,131,303.47
Materials and Supplies	1,625,045.65	1,626,211.47
Equipment	271,645.33	231,548.64
Depreciation	2,314,341.49	2,311,511.77
Total Operating Expenses	16,520,554.48	16,997,757.35
Operating Income (Loss):	4,808,466.43	698,428.97
Non-Operating Revenue (Expense):		
Interest Earned	13,086.83	66,408.41
Construction Expansion Fees	1,739,140.94	1,801,395.55
Earnings, Project Funds and Savings Credit	162,453.63	238,205.94
Loan Receivable	1,733,800.00	3,171,164.00
Redemption of Revenue Bonds	(3,592,452.21)	(3,324,906.51)
Interest on Revenue Bonds	(1,890,240.12)	(2,041,947.14)
Health Insurance Claims	57,858.13	(113,547.89)
Contracts Payable	(3,445,048.81)	(1,899,562.71)
Renewal and Replacement Expenses	(117,628.49)	(274,539.67)
Prior Year Payables Canceled	120,218.62	100,564.10
Amortization of Bond Issue Costs	(40,389.70)	(42,448.98)
Annual OPEB Cost	(1,408,831.00)	(1,359,875.00)
Total Non-Operating Revenue (Expense)	(6,668,032.18)	(3,679,089.90)

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended October 31	
	2010	2009
Increase (Decrease) in Net Assets Before Capital Contributions	(1,859,565.75)	(2,980,660.93)
Capital Contributions	4,272,452.21	3,944,906.51
Increase (Decrease) in Net Assets	2,412,886.46	964,245.58
Net Assets at Beginning of Year	6,230,413.79	5,266,168.21
Net Assets at End of Year	8,643,300.25	6,230,413.79

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended October 31	
	2010	2009
Cash Flows from Operating Activities:		
Cash Received from Customers	20,923,936.21	16,819,350.75
Cash Paid to Suppliers	(9,902,116.48)	(10,681,049.02)
Cash Paid to Employees	(3,782,963.96)	(3,536,615.30)
Other Receipts	442,796.53	626,603.69
Net Cash Provided (Used) by Operating Activities	7,681,652.30	3,228,290.12
Cash Flows from Investing Activities:		
Purchase of Investments	(94,692,179.78)	(64,084,903.04)
Proceeds from Sale of Investments	72,016,285.71	86,176,702.01
Interest Income	11,937.13	66,408.41
Net Cash Provided (Used) by Investing Activities	(22,663,956.94)	22,158,207.38
Cash Flows from Non-Capital Financing Activities:		
Escrow Fees Received	65,000.00	32,500.00
Escrow Fees Disbursed	(34,363.10)	(12,534.70)
Administrative Fees	(2,355.13)	(2,355.13)
Construction Expansion Fees	1,739,140.94	1,801,395.55
Contracts Payable	(2,098,936.30)	(1,480,273.02)
Renewal & Replacement Expenses	(117,628.49)	(281,324.58)
Net Cash Provided (Used) by Non-Capital Financing Activities	(449,142.08)	57,408.12
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Debt	(3,592,452.21)	(3,324,906.51)
Interest Paid on Debt	(1,936,933.08)	(2,061,387.55)
Loan Receipts	1,326,895.00	1,565,870.00
Earnings, Project Fund and Savings Credits	162,453.63	238,205.94
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,040,036.66)	(3,582,218.12)
Increase (Decrease) in Cash and Cash Equivalents	(19,471,483.38)	21,861,687.50
Cash and Cash Equivalents at Beginning of Year	23,529,403.26	1,667,715.76
Cash and Cash Equivalents at End of Year	4,057,919.88	23,529,403.26

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended October 31	
	2010	2009
Reconciliation to Balance Sheet:		
Unrestricted Cash and Cash Equivalents	1,931,127.43	7,244,098.88
Restricted Cash and Cash Equivalents	2,126,792.45	16,285,304.38
	4,057,919.88	23,529,403.26
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	4,808,466.43	698,428.97
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	2,314,341.49	2,311,511.77
(Increase) Decrease in Accounts Receivable	37,711.83	(250,231.88)
Increase (Decrease) in Accounts Payable	521,132.55	468,581.26
Net Cash Provided (Used) by Operating Activities	7,681,652.30	3,228,290.12

See accompanying notes to the basic financial statements.

NOTE 1: GENERAL

Introduction

The accounting and reporting framework and the more significant accounting principles of the Gloucester County Utilities Authority are discussed in Note 2. The remainder of the "Notes" are organized to provide explanations, including required disclosures, of the Authority's financial activities for the fiscal year ended October 31, 2010. The Authority implemented new reporting model standards beginning November 1, 2001. Comparability with reports of all prior years will be affected.

Creation and Governing Body

The Authority was duly created, under the name Gloucester County Sewerage Authority, by resolution of The Board of Chosen Freeholders of the County of Gloucester, New Jersey, duly adopted July 21, 1967, as a public body corporate and politic of the State of New Jersey pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey and the acts amendatory thereof and supplemental thereto. The Authority has been renamed, reorganized and is continued pursuant to a resolution of the Board of Chosen Freeholders of the County of Gloucester, New Jersey adopted August 7, 1978 and the Act. The Authority is a component unit of the County of Gloucester.

The Act and the resolution creating the Authority provide that the governing body of the Authority shall consist of nine members, appointed by the Board of Chosen Freeholders of the County to five-year terms.

Income Taxes

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Local Finance Board rules as set forth in the New Jersey Administrative Code, including financial oversight and Division regulatory responsibilities, including review and approval of annual budgets pursuant to statute, shall apply and supersede the previous where applicable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets are segregated into "invested in capital assets, net of related debt"; "restricted for capital activity and debt service"; and "unrestricted" components.

Budgetary Accounting
The Authority adopts an annual operating budget by resolution prior to October 1. The budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. All unexpended and unencumbered appropriations remaining in the budget at the end of the fiscal year lapse. During the year, management is authorized to transfer budgeted amounts between line items. All amendments to the budget are approved and adopted by resolution of the Authority.

Cash Equivalents, Deposits and Investments
Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, certificates of deposit and investments with a maturity of three months or less. Investments are reported at cost which approximates market value.

Restricted Assets
Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments and improvements and extensions to the utility system.

Receivables and Payables
Receivables and payables between accounts are eliminated. Customer receivables represent various service fees earned but not yet collected.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets
Property, plant and equipment are stated at cost which includes direct construction costs and other expenditures related to construction. System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Maintenance and repairs, which do not significantly extend the value or life of property, plant and equipment, are expensed as incurred.

Assets are depreciated over their estimated useful lives using the straight-line method.

Compensation for Future Absences
Accumulated vacation and the portion of sick leave eligible to be paid to employees at termination are recorded as an expense and liability as the benefits are earned.

Claims and Judgments
These events and obligations are recorded on the accrual basis, when the event occurs and the obligation arises.

Operating Revenues and Rate Structure
Operating revenues are those revenues generated directly from the primary activity of the authority and are recognized on the accrual basis and as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage.

Special and Extraordinary Items
Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net assets.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related liabilities; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consist of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt services consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other assets not included in the above categories.

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority has defined cash and cash equivalents to consist primarily of petty cash, change funds, cash on deposit, certificates of deposit, money market accounts, and short term investments with original maturities of three months or less.

Investments are stated at cost or amortized cost, which approximates market.

Deposits

New Jersey statutes require that authorities deposit public funds in contracted depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds, under the Governmental Unit Deposit Protection Act (G.U.D.P.A.) N.J.S.A. 17:9-41, that exceed depository insurance limits as follows:

> The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.00.

Uninsured and uncollateralized deposits are covered under the unit certificate of eligibility, as required by GUDPA.

The carrying amount of the Authority's cash and cash equivalents at October 31, 2010, was $4,057,919.88 and the bank balance was $4,179,519.66.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At October 31, 2010, all of the Authority's deposits were covered by either FDIC or GUDPA and therefore not exposed to custodial risk. The Authority does not have a policy for custodial credit risk.

Investments

Investments are stated at cost which approximates market value. The investment of funds are limited by the various Bond Resolutions to any bond, debenture, note or participation certificate issued by certain agencies identified within the Bond Resolutions, any fully secured or non-negotiable certificates of deposit and repurchase agreements, obligations of the New Jersey Cash Management Fund and other obligations of the United States of America or the State of New Jersey.

As of October 31, 2010 the Authority held the following investments:

	Cost	Market Value
U. S. Government Securities	22,675,883.18	22,675,883.18

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable were composed of the following:

Sewer Service Charges Receivable	2,140,716.32
Septage and Industrial Service Charges Receivable	395,997.75
Total	2,536,714.07

NOTE 5: RESTRICTED ASSETS

Certain proceeds of revenue bonds and notes, as well as resources set aside for their repayment or to satisfy restrictive covenants of the bond agreements, are classified as restricted assets on the balance sheet because their use is limited by those bond covenants. The "debt service fund" accounts are used to segregate resources accumulated for debt service payments equal to any unpaid interest or principal due, plus any interest or principal to become due at or before the first day of January next ensuing. The "debt service reserve fund" accounts are used to report resources set aside to make up potential future deficiencies in revenue bond debt service funds or to effect whole or partial redemption of the bonds. The "renewal and replacement" account is used to accumulate resources to pay the costs of major repairs, renewals and replacements of the Utility System.

Amounts required by Section 507 of the Bond Resolution for the above are as follows:

1. At October 31, 2010, the "Bond Service Requirement" was $3,820,214.52 comprised of interest due January 1, 2011 of $921,693.70 and principal due January 1, 2011 of $2,898,520.75.

2. At October 31, 2010, the "Bond Service Reserve Requirement" was $5,637,823.72.

3. At October 31, 2010, the "System Reserve Requirement" was $1,000,000.

All of the above requirements were met as of October 31, 2010.

NOTE 6: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	October 31, 2009	Additions	Deletions	October 31, 2010
Construction in Progress	3,255,582.00	1,742,007.44	1,447,200.00	3,550,389.44
Land	6,074,500.00			6,074,500.00
Site Improvements	4,367,306.00			4,367,306.00
Buildings	10,238,769.00			10,238,769.00
Machinery & Equipment	6,668,038.74			6,668,038.74
Infrastructure	74,328,049.00	1,447,200.00		75,775,249.00
Total Capital Assets	104,932,244.74	3,189,207.44	1,447,200.00	106,674,252.18
Accumulated Depreciation	(77,111,069.12)	(2,314,341.49)		(79,425,410.61)
Net Capital Assets	27,821,175.62	874,865.95	1,447,200.00	27,248,841.57

NOTE 7: BONDS PAYABLE AND LOANS PAYABLE

Prior Years' Debt Defeasance

In prior years, the Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's financial statements. As of October 31, 2010, the amount of defeased debt outstanding but removed from the Authority's financial statements was $1,820,000.

Bonds Payable

There were bonds payable on October 31, 2010 in the amount of $29,290,000.

On August 1, 1993, the Authority issued $15,400,000 in bonds to finance the construction of a sewage treatment plant and distribution system. Principal payments are due annually on January 1 through the year 2018. Interest is paid semi-annually at rates of 5.125% to 5.25% per annum. The balance remaining at October 31, 2010 was $3,495,000.

On April 15, 2003, the Authority issued $9,970,000 in bonds to finance the refunding of refunding sewer revenue bonds of 1985 and 1990. Principal payments are due annually on January 1 through the year 2030. Interest is paid semi-annually at rates of 3.5% to 4.6% per annum. The balance remaining at October 31, 2010 was $8,420,000.

On August 18, 2005, the Authority issued $2,125,000 in bonds to finance the refunding of refunding sewer revenue bonds of 1999. Principal payments are due annually on January 1 through the year 2019. Interest is paid semi-annually at rates of 3.4% to 4.125% per annum. The balance remaining at October 31, 2010 was $1,905,000.

On October 5, 2005, the Authority issued $18,040,000 in bonds to finance the refunding of refunding sewer revenue bonds of 1996. Principal payments are due annually on January 1 through the year 2024. Interest is paid semi-annually at the rate of 5% per annum. The balance remaining at October 31, 2010 was $15,470,000.

Loans Payable

There were loans payable on October 31, 2010 in the amount of $13,807,313.48.

The Authority issued a total of $22,257,320 in bonds to finance the Mantua Creek Force Main and Upper Mantua Creek Interceptor Project on November 1, 1995. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Since actual costs were less than anticipated, the obligation was reduced by $3,420,418. Principal payments are due annually on July 1 through the year 2015. Interest is paid semi-annually at the rate of 5.25% per annum. The balance remaining at October 31, 2010 was $4,410,000.

NOTE 7: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

On October 15, 1998, the Authority issued a total of $3,815,000 in bonds to finance the Incinerator No. 1 Project & Upgrade & Rehabilitation of the Existing Aeration Tank. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Principal payments are due annually on January 1 through the year 2018. Interest is paid semi-annually at rates of 0% to 4.5% per annum. The balance remaining at October 31, 2010 was $1,815,962.62.

On October 15, 1999, the Authority issued a total of $683,411 in bonds to finance the Incinerator No. 1 Project and Upgrade and Rehabilitation of the Existing Aeration Tank. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Principal payments are due annually on January 1 through the year 2019. Interest is paid semi-annually at rates of 0% to 5.7% per annum. The balance remaining at October 31, 2010 was $369,717.71.

On October 15, 2001, the Authority issued a total of $4,444,383 in bonds to finance an Odor Control Project. The financing of this project was done through participation in the New Jersey Wastewater Treatment Trust. Since allowable costs were less than anticipated, the obligation was reduced by $218,248. Principal payments are due annually on January 1 through the year 2021. Interest is paid semi-annually at rates of 0% to 5.5% per annum. The balance remaining at October 31, 2010 was $2,607,668.03.

On November 6, 2008, the Authority issued a total of $3,255,582 in bonds to finance various structural and electrical improvements, upgrades, and rehabilitation of the existing sanitary sewer system. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. Principal payments are due annually on July 1 through the year 2028. Interest is paid semi-annually at rates of 0% to 5.5% per annum. The balance remaining at October 31, 2010 was $3,091,957.68.

On March 10, 2010, the Authority issued a total of $1,742,007.44 in bonds to finance various structural and electrical improvements, upgrades, and rehabilitation of the existing sanitary sewer system. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. A portion of this financing, $465,157.44, was a pass-through of American Recovery and Reinvestment Act (ARRA) funds. Principal payments are due annually on January 1 through the year 2029. Interest is paid semi-annually at rates of 0% to 5% per annum. On the date of execution of the loan agreement the State forgave a portion of the ARRA loan in the amount of $230,000. The balance remaining at October 31, 2010 was $1,512,007.44.

NOTE 7: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Changes in Debt During the Year

	October 31, 2009	Additions	Reductions	October 31, 2010
Bonds & Loans Payable:				
Bonds	31,535,000.00		2,245,000.00	29,290,000.00
Loans	13,642,758.25	1,742,007.44	1,577,452.21	13,807,313.48
Total	45,177,758.25	1,742,007.44	3,822,452.21	43,097,313.48

Remaining debt service payments at October 31, 2010 are as follows:

	Interest	Principal	Total
2011	1,784,935.02	3,829,958.24	5,614,893.26
2012	1,614,406.85	4,000,080.81	5,614,487.66
2013	1,452,458.62	3,486,838.92	4,939,297.54
2014	1,300,823.99	3,594,466.84	4,895,290.83
2015	1,142,686.05	3,751,711.73	4,894,397.78
2016-2020	3,640,836.74	14,151,091.14	17,791,927.88
2021-2025	1,168,010.44	7,787,196.10	8,955,206.54
2026-2030	229,592.24	2,495,969.70	2,725,561.94
	12,333,749.95	43,097,313.48	55,431,063.43

See Schedule of Bonds and Loans Payable in Supplementary Information section of this report for interest rates and maturity dates and amounts on all issues.

NOTE 8: CAPITAL LEASE PAYABLE

The Authority has entered into a capital lease to finance the cost of the acquisition and installation of certain energy conservation equipment. These assets have been recorded as fixed assets on the Authority's records and are being depreciated over the useful life of the asset. The lease agreement is for fifteen years and carries an interest rate of 5.38%. The following is a schedule of future minimum lease payments.

October 31	Interest	Principal	Total
2011	27,645.00	485,000.00	512,645.00

NOTE 9: REQUIRED RATES AND CHARGES

Section 612 of the Bond Resolution dated as of August 8, 1978 stipulates that so long as bonds of any series shall be outstanding, the Authority shall make, impose, charge and collect Annual Charges in accordance with the Service Contract and the Customer Agreements and shall charge and collect Service Charges in accordance with the Act to the extent permitted by the Service Contract and Customer Agreements. Such Annual Charges shall be so estimated, computed, made, charged, imposed and collected pursuant to the Customer Agreements or the Service Contract, and such Service Charges shall be so fixed, charged and collected under the Act, that the Revenues collected (including any proceeds to the Authority of use and occupancy insurance) and paid to the Trustee hereunder will be at least sufficient:

1. to provide in each fiscal year a sum equal to the operating fund requirement for such fiscal year in order to maintain, preserve and keep the system in good repair, working order and condition; and

2. to provide in each fiscal year a sum equal to the Bond Service for such fiscal year (except any part thereof the payment of which has been provided for by the deposit of proceeds of Bonds in the Bond Service Fund) calculated as of the beginning of such fiscal year; and

3. at all times, by deposit and application in accordance with the Resolution of said Revenues paid to the Trustee, to pay all interest and principal installments becoming due with respect to the Bonds at the end of each fiscal year, and to maintain in the Bond Reserve Fund an amount at least equal to the Bond Reserve Requirement and in the Renewal and Replacement Fund an amount at least equal to the amount required to be deposited pursuant to Section 507(4); and

4. at all times to provide for any deficits of the Authority resulting from failure to receive any Annual Charges or Service Charges or from any other cause and comply in all respects with the terms and provisions of the Resolution and of the Act and pay and discharge all charges or liens payable out of the Revenues when due and enforceable.

As is reflected in the following calculation, the Authority met the sufficiency of revenue required under Section 612 of the Bond Resolution dated as of August 8, 1978.

Total Revenue	23,111,214.83
Less:	
Operating Expenses	14,206,212.99
Bond Service Requirement	5,529,385.29
Transfer to Construction Expansion Fund	1,739,140.94
Total	21,474,739.22
Excess in Revenues Realized Required by Section 612	1,636,475.61

NOTE 10: PENSION PLAN

Description of Plan – All eligible employees of the Authority are covered by the Public Employees' Retirement System (P.E.R.S.), cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligation of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the P.E.R.S. The report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pension/annrptsarchieve.htm.

Public Employees' Retirement System (P.E.R.S.) – The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. P.E.R.S. is a cost-sharing multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Funding Policy - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. P.E.R.S. provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The P.E.R.S. rate in effect for 2010 is 8.95% of covered payroll as reported on June 30, 2008. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Authority's contributions for the years ending October 31, 2010, 2009 and 2008 were $267,934, $232,430, and $164,750 respectively, equal to the required contributions for each year.

NOTE 11: DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Mutual of America
Equitable Assurance Society.

NOTE 12: POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description – The Gloucester County Utilities Authority contributes to the Gloucester County Insurance Commission (GCIC), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan. The Gloucester County Insurance Commission Fund was established in 2010 under N.J.S.A. 40A:10-6 et seq., to provide health benefits to employees, retirees, and their dependents. GCIC provides medical and prescription drug coverage to eligible retirees and their spouses.

In 2010 the Gloucester County Utilities Authority authorized participation in the fund through resolution 2010-140 adopted on September 8, 2010. The Authority's policies provide for health insurance to eligible retirees and their spouses.

Funding Policy – The plan is non-contributory for employees/retirees and their dependents. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees on a pay-as-you-go basis. Contributions to pay for the health premiums of participating retirees in the GCIC are billed to the Authority on a monthly basis. Plan members receiving benefits are not required to make contributions.

Annual OPEB Cost and Net OPEB Obligation – The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan (dollar amounts in thousands):

Annual required contribution	1,408.8
Interest on net OPEB obligation	0.0
Adjustment to annual required contribution	0.0
Annual OPEB cost (expense)	1,408.8
Contributions made	0.0
Increase in net OPEB obligation	1,408.8
Net OPEB obligation - beginning of year	1,359.9
Net OPEB obligation - end of year	2,768.7

NOTE 12: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The ARC for the year ended October 31, 2010 was the amount calculated in the most recent actuarial valuation dated October 31, 2009, adjusted for inflation based on rates determined by the U.S. Bureau of Labor Statistics. The Authority's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
10/31/2010	1,408.8	0.0%	1,408.8

Funded Status and Funding Progress – As of October 31, 2010, the Authority is considered to be an unfunded plan. There are no plan assets. The retiree benefits are paid annually on a cash basis.

Actuarial Methods and Assumptions – Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 31, 2009 actuarial valuation, the entry age actuarial cost method was used. The UAAL is being amortized as a level percentage of projected payroll.

NOTE 13: COMPENSATED ABSENCES

The Authority accounts for compensated absences (e.g. sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees are granted vacation benefits in varying amounts depending on their length of service with the Authority. Employees are granted ten sick days per year. The Authority does not permit employees to accrue unused vacation pay. Unused sick days may be carried over for future use or a cash reimbursement may be requested.

The total value of compensated absences owed to employees as of October 31, 2010 was $89,536.29.

NOTE 14: ECONOMIC DEPENDENCY

The Authority is not economically dependent on any one business or industry within the County.

NOTE 15: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability and surety bonds. The Authority is a member of the Gloucester County Insurance Commission. The Authority is obligated to remit insurance premiums to this commission for sufficient insurance coverage. There have been no claims in excess of coverage and no reduction in coverage during the year.

NOTE 16: LITIGATION

It is the Gloucester County Utilities Authority Counsel's opinion that there exists no litigation or contingent liability that may be pending against the Authority that would have an adverse effect on the financial position in the future.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Chairman and Members
of the Authority
Gloucester County Utilities Authority
West Deptford Township, New Jersey

We have audited the financial statements of the Gloucester County Utilities Authority as of and for the year ended October 31, 2010, and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Local Finance Board.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Gloucester County Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gloucester County Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as described by the Local Finance Board.

This report is intended solely for the information and use of management, the governing body, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

February 18, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable Chairman and Members
of the Authority
Gloucester County Utilities Authority
West Deptford Township, New Jersey

Compliance

We have audited the compliance of the Gloucester County Utilities Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the provisions of the New Jersey *State Aid/Grant Compliance Supplement* Circular Letter 04-04 OMB, that are applicable to each of its major state programs for the year ended October 31, 2010. The Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and the provisions of the New Jersey State Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, OMB Circular A-133 and the New Jersey State Treasury Circular Letter 04-04 OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Gloucester County Utilities Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended October 31, 2010.

Internal Control Over Compliance

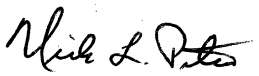
Management of the Gloucester County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the New Jersey State Treasury Circular Letter 14-14 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the governing body, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

February 18, 2011

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2010

State Funding Department/Program	State Grant Number	Program Amount	Loan Period From	Loan Period To	Current Year Expenditures	Total Expenditures
Department of Environmental Protection						
New Jersey Environmental Infrastructure						
2008 Fund Loan	N/A	1,585,582.00	11/1/08	N/A	635,415.90	1,422,215.15
2008 Trust Loan	N/A	1,585,582.00	11/1/08	N/A	635,415.90	1,422,215.15
2010 Fund Loan	N/A	956,850.00	3/10/10	N/A	922,575.50	922,575.50
2010 Trust Loan	N/A	318,950.00	3/10/10	N/A	284,675.50	284,675.50
		4,446,964.00			2,478,082.80	4,051,681.30

See accompanying notes to the schedule of expenditure of state awards.

GLOUCESTER COUNTY UTILITIES AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2010

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of State awards includes the state grant activity of the Gloucester County Utilities Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization,* New Jersey Circular Letter 04-04 OMB. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes ___X___ no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ___X___ none reported

Noncompliance material to general-purpose financial statements noted? _____ yes ___X___ no

Federal Awards N/A

Type of auditor's report issued on compliance for major programs: _____

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes _____ none reported

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? _____ yes _____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program

Dollar threshold used to distinguish between type A and type B programs: _____

Auditee qualified as low-risk auditee? _____ yes _____ no

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2010

Section I - Summary of Auditor's Results

State Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? _____ yes X no

Identification of major programs:

State Grant Number(s)	Name of State Program
N/A	NJEIT Loan Program

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? _____ yes X no

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2010

Section II – Financial Statement Findings

None

Section III – Federal and State Awards Findings and Questioned Costs

FEDERAL AWARDS – N/A

STATE AWARDS

No matters were reported.

GLOUCESTER COUNTY UTILITIES AUTHORITY
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED OCTOBER 31, 2010

There were no prior year findings reported.

GLOUCESTER COUNTY UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED OCTOBER 31, 2010

	2010 Budget		2010	Variance of 2010 Actual Data To Budget	
	Original	Final	Actual	Dollars	%
				Favorable (Unfavorable	
Operating Revenues					
Sewer Service Charges	15,483,825.00	15,483,825.00	18,233,577.16	2,749,752.16	17.76%
Septage and Industrial Charges	2,100,000.00	2,100,000.00	2,653,047.22	553,047.22	26.34%
PSE&G Standard Offer Payments	375,000.00	375,000.00	261,031.58	(113,968.42)	-30.39%
Miscellaneous Income	175,410.00	175,410.00	181,364.95	5,954.95	3.39%
Total Operating Revenues	18,134,235.00	18,134,235.00	21,329,020.91	3,194,785.91	17.62%
Operating Expenses					
Personnel Services:					
Salaries and Wages	4,107,000.00	4,107,000.00	3,731,185.58	375,814.42	9.15%
Uniform Rental	25,000.00	25,000.00	20,481.22	4,518.78	18.08%
Contributions to:					
Public Employees' Retirement	241,000.00	268,000.00	267,933.71	66.29	0.02%
Social Security System	304,000.00	304,000.00	290,875.76	13,124.24	4.32%
Unemployment Compensation	28,000.00	28,000.00	22,909.08	5,090.92	18.18%
Employee Benefits	2,003,000.00	2,003,000.00	1,630,171.58	372,828.42	18.61%
Total Personnel Services	6,708,000.00	6,735,000.00	5,963,556.93	771,443.07	11.45%
Contractual Services:					
Advertising	7,000.00	7,000.00	5,864.04	1,135.96	16.23%
Travel Expense	11,700.00	11,700.00	327.82	11,372.18	97.20%
Postage Expense	10,000.00	10,000.00	4,507.18	5,492.82	54.93%
Telephone Expense	50,000.00	50,000.00	25,821.45	24,178.55	48.36%
Natural Gas	181,000.00	181,000.00	70,422.54	110,577.46	61.09%
Electricity	2,300,000.00	2,300,000.00	2,258,173.71	41,826.29	1.82%
Water and Sewer	10,000.00	10,000.00	6,508.69	3,491.31	34.91%
Printing	8,000.00	8,000.00	2,593.20	5,406.80	67.59%
Energy Project Costs	1,475,000.00	1,475,000.00	1,242,746.07	232,253.93	15.75%
Dues and Memberships	10,700.00	10,700.00	8,958.98	1,741.02	16.27%
Motor Vehicle Maintenance	52,600.00	52,600.00	14,252.83	38,347.17	72.90%
Equipment Maintenance	385,600.00	807,500.00	721,505.18	85,994.82	10.65%
Interceptor Rehabilitation	60,000.00				
Equipment Rental	29,000.00	29,000.00	9,722.91	19,277.09	66.47%
Training and Seminars	32,200.00	32,200.00	4,752.38	27,447.62	85.24%
Permits and Registrations	120,000.00	120,000.00	103,599.85	16,400.15	13.67%
Professional Services	600,000.00	600,000.00	574,401.37	25,598.63	4.27%
Doctor	4,500.00	4,500.00	1,525.00	2,975.00	66.11%
Accounting/Auditing	88,000.00	88,000.00	83,860.00	4,140.00	4.70%
Legal Services	175,000.00	175,000.00	124,386.85	50,613.15	28.92%
Engineering	350,000.00	450,000.00	440,254.51	9,745.49	2.17%
Trustee's Fees	95,000.00	95,000.00	90,488.73	4,511.27	4.75%
Computer Services	81,000.00	81,000.00	12,595.32	68,404.68	84.45%
Insurance	1,000,000.00	600,000.00	499,775.66	100,224.34	16.70%
Sludge Disposal	30,000.00	30,000.00		30,000.00	100.00%
Other Expenses	35,000.00	45,000.00	38,920.81	6,079.19	13.51%
Total Contractual Services	7,201,300.00	7,273,200.00	6,345,965.08	927,234.92	12.75%

GLOUCESTER COUNTY UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED OCTOBER 31, 2010

	2010 Budget		2010	Variance of 2010 Actual Data To Budget	
	Original	Final	Actual	Dollars	%
Materials and Supplies:					
Books and Publications	6,800.00	6,800.00	744.93	6,055.07	89.05%
Building and Construction Supplies	15,200.00	15,200.00	6,568.04	8,631.96	56.79%
Fuel and Lubricants	90,500.00	90,500.00	61,984.93	28,515.07	31.51%
Incinerator Fuel	653,000.00	543,100.00	326,501.93	216,598.07	39.88%
Incinerator Sand	84,750.00	84,750.00	45,137.24	39,612.76	46.74%
Motor Vehicle Parts	30,000.00	30,000.00	22,037.22	7,962.78	26.54%
Laboratory Services/Supplies	59,000.00	59,000.00	47,386.13	11,613.87	19.68%
Janitorial Supplies	7,000.00	7,000.00	4,675.74	2,324.26	33.20%
Office Supplies	24,000.00	24,000.00	16,551.57	7,448.43	31.04%
Electrical/Communication Supplies	258,200.00	258,200.00	122,057.77	136,142.23	52.73%
Hardware/Minor Tools	25,200.00	25,200.00	21,372.14	3,827.86	15.19%
Equipment/Machinery Parts	539,600.00	539,600.00	350,772.27	188,827.73	34.99%
Plumbing/Heating/HVAC Supplies	30,000.00	31,000.00	30,047.60	952.40	3.07%
Safety Supplies	16,400.00	16,400.00	15,528.63	871.37	5.31%
Chemicals and Gases	29,300.00	39,300.00	38,464.87	835.13	2.13%
Sodium Hydroxide	345,100.00	345,100.00	199,540.00	145,560.00	42.18%
Polymer	204,700.00	204,700.00	143,923.68	60,776.32	29.69%
Chlorine	200,000.00	200,000.00	155,088.24	44,911.76	22.46%
Ferrous Sulfate	88,000.00	88,000.00	3,600.00	84,400.00	95.91%
Buildings/Grounds Maintenance Supplies	13,900.00	13,900.00	2,873.95	11,026.05	79.32%
Interceptor Supplies	10,500.00	10,500.00	9,761.25	738.75	7.04%
Miscellaneous Supplies	1,750.00	1,750.00	427.52	1,322.48	75.57%
Total Materials and Supplies	2,732,900.00	2,634,000.00	1,625,045.65	1,008,954.35	38.31%
Equipment:					
Vehicles	99,000.00	99,000.00	17,248.00	81,752.00	82.58%
Laboratory Equipment	14,000.00	14,000.00	8,610.04	5,389.96	38.50%
Office Equipment	25,000.00	25,000.00	15,168.39	9,831.61	39.33%
Electrical/Communication Equipment	90,000.00	90,000.00		90,000.00	100.00%
General Equipment	315,000.00	315,000.00	227,810.00	87,190.00	27.68%
Safety Equipment	12,700.00	12,700.00	2,808.90	9,891.10	77.88%
Total Equipment	555,700.00	555,700.00	271,645.33	284,054.67	51.12%
Total Operating Expenses	17,197,900.00	17,197,900.00	14,206,212.99	2,991,687.01	17.40%
Operating Income (Loss)	936,335.00	936,335.00	7,122,807.92	6,186,472.92	660.71%
Non-Operating Revenue (Expense):					
Interest Earned	285,000.00	285,000.00	8,169.78	(276,830.22)	-97.13%
CEF Contribution to Debt Service	4,300,000.00	4,300,000.00	34,883.20	(4,265,116.80)	-99.19%
Construction Expansion Fees	1,590,000.00	1,590,000.00	1,739,140.94	149,140.94	9.38%
Debt Service Requirements	(5,521,335.00)	(5,521,335.00)	(5,529,385.29)	(8,050.29)	-0.15%
Transfers to CEF Fund	(1,590,000.00)	(1,590,000.00)	(1,739,140.94)	(149,140.94)	-9.38%
Total Non-Operating Revenue (Expense)	(936,335.00)	(936,335.00)	(5,486,332.31)	(4,549,997.31)	-485.94%
Increase (Decrease) in Budgeted Net Assets			1,636,475.61	1,636,475.61	

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

1993 Series

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
8/1/93	15,400,000.00	Construction of Sewage Treatment Plant and Distribution System	4,320,000.00	825,000.00	3,495,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	5.125%	875,000.00
2012	5.125%	920,000.00
2013	5.125%	290,000.00
2014	5.250%	250,000.00
2015	5.250%	265,000.00
2016	5.250%	280,000.00
2017	5.250%	300,000.00
2018	5.250%	315,000.00
		3,495,000.00

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
11/1/95	12,330,000.00	Mantua Creek Force Main and Upper Mantua Creek Interceptor Project	5,165,000.00	755,000.00	4,410,000.00

Schedule of Annual Maturities

Due July 1	Interest Rate	Annual Principal Payment
2011	5.250%	795,000.00
2012	5.250%	835,000.00
2013	5.250%	880,000.00
2014	5.250%	925,000.00
2015	5.250%	975,000.00
		4,410,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/15/98	1,965,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	1,130,000.00	105,000.00	1,025,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	4.500%	110,000.00
2012	4.500%	115,000.00
2013	4.500%	120,000.00
2014	4.500%	125,000.00
2015	4.500%	130,000.00
2016	4.500%	135,000.00
2017	4.500%	140,000.00
2018	4.500%	150,000.00
		1,025,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/15/98	1,850,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	890,151.16	99,188.54	790,962.62

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	0.00%	99,363.56
2012	0.00%	99,395.39
2013	0.00%	99,284.01
2014	0.00%	99,029.44
2015	0.00%	98,631.66
2016	0.00%	98,090.69
2017	0.00%	97,406.52
2018	0.00%	99,761.35
		790,962.62

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/15/99	350,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	225,000.00	15,000.00	210,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	5.50%	20,000.00
2012	5.50%	20,000.00
2013	5.50%	20,000.00
2014	5.50%	20,000.00
2015	5.50%	25,000.00
2016	5.50%	25,000.00
2017	5.50%	25,000.00
2018	5.70%	25,000.00
2019	5.70%	30,000.00
		210,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/15/99	333,411.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	175,721.31	16,003.60	159,717.71

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	0.00%	18,604.84
2012	0.00%	17,919.48
2013	0.00%	17,234.13
2014	0.00%	16,548.77
2015	0.00%	18,978.67
2016	0.00%	18,121.97
2017	0.00%	17,265.28
2018	0.00%	16,408.58
2019	0.00%	18,635.99
		159,717.71

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/15/01	2,185,000.00	2001 Capital Project	1,615,000.00	100,000.00	1,515,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	5.50%	105,000.00
2012	5.50%	110,000.00
2013	5.50%	115,000.00
2014	5.00%	125,000.00
2015	5.00%	130,000.00
2016	5.00%	135,000.00
2017	5.00%	145,000.00
2018	5.00%	150,000.00
2019	5.00%	160,000.00
2020	4.75%	165,000.00
2021	4.75%	175,000.00
		1,515,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/15/01	2,259,383.00	2001 Capital Project	1,211,850.38	119,182.35	1,092,668.03

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	0.00%	118,855.01
2012	0.00%	118,347.65
2013	0.00%	117,660.25
2014	0.00%	120,066.15
2015	0.00%	119,247.82
2016	0.00%	118,265.82
2017	0.00%	120,393.48
2018	0.00%	118,920.48
2019	0.00%	120,557.15
2020	0.00%	20,354.22
		1,092,668.03

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

2003 Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
4/15/03	9,970,000.00	Revenue Refunding Bonds	8,755,000.00	335,000.00	8,420,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	3.500%	350,000.00
2012	3.500%	360,000.00
2013	3.625%	375,000.00
2014	3.750%	385,000.00
2015	3.800%	400,000.00
2016	3.900%	415,000.00
2017	4.000%	430,000.00
2018	4.100%	450,000.00
2019	4.125%	470,000.00
2020	4.200%	490,000.00
2021	4.250%	510,000.00
2022	4.300%	530,000.00
2023	4.350%	555,000.00
2024	4.400%	575,000.00
2025	4.500%	600,000.00
2026	4.500%	280,000.00
2027	4.500%	290,000.00
2028	4.600%	305,000.00
2029	4.600%	320,000.00
2030	4.600%	330,000.00
		8,420,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

2005A Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
8/18/05	2,125,000.00	Revenue Refunding Bonds	2,085,000.00	180,000.00	1,905,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	3.400%	180,000.00
2012	3.550%	190,000.00
2013	3.600%	195,000.00
2014	3.700%	200,000.00
2015	3.800%	210,000.00
2016	3.900%	215,000.00
2017	4.050%	230,000.00
2018	4.100%	235,000.00
2019	4.125%	250,000.00
		1,905,000.00

2005B Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
10/5/05	18,040,000.00	Revenue Refunding Bonds	16,375,000.00	905,000.00	15,470,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2011	5.000%	950,000.00
2012	5.000%	1,000,000.00
2013	5.000%	1,045,000.00
2014	5.000%	1,105,000.00
2015	5.000%	1,150,000.00
2016	5.000%	1,210,000.00
2017	5.000%	1,285,000.00
2018	5.000%	1,340,000.00
2019	5.000%	1,410,000.00
2020	5.000%	1,480,000.00
2021	5.000%	1,550,000.00
2022	5.000%	620,000.00
2023	5.000%	645,000.00
2024	5.000%	680,000.00
		15,470,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
11/6/08	1,670,000.00	Sewer Revenue Bonds	1,670,000.00	55,000.00	1,615,000.00

Schedule of Annual Maturities

Due July 1	Interest Rate	Annual Principal Payment
2011	5.00%	55,000.00
2012	5.00%	60,000.00
2013	5.00%	60,000.00
2014	5.00%	65,000.00
2015	5.00%	70,000.00
2016	5.00%	70,000.00
2017	5.00%	75,000.00
2018	5.00%	80,000.00
2019	5.00%	85,000.00
2020	5.00%	90,000.00
2021	5.00%	95,000.00
2022	5.00%	100,000.00
2023	5.00%	105,000.00
2024	5.00%	110,000.00
2025	5.00%	115,000.00
2026	5.00%	120,000.00
2027	5.00%	125,000.00
2028	5.00%	135,000.00
		1,615,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2009	Redeemed	Balance Oct. 31, 2010
11/6/08	1,585,582.00	Sewer Revenue Bonds	1,560,035.40	83,077.72	1,476,957.68

Schedule of Annual Maturities

Due July 1	Interest Rate	Annual Principal Payment
2011	0.00%	81,437.49
2012	0.00%	82,704.94
2013	0.00%	80,915.60
2014	0.00%	82,033.94
2015	0.00%	83,003.16
2016	0.00%	80,915.59
2017	0.00%	81,735.71
2018	0.00%	82,406.72
2019	0.00%	82,865.23
2020	0.00%	83,040.44
2021	0.00%	82,988.25
2022	0.00%	82,772.04
2023	0.00%	82,391.80
2024	0.00%	82,011.57
2025	0.00%	81,638.79
2026	0.00%	81,116.90
2027	0.00%	80,445.89
2028	0.00%	82,533.62
		1,476,957.68

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Issued	Balance Oct. 31, 2010
3/10/10	320,000.00	Sewer Revenue Bonds	320,000.00	320,000.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2011	4.00%	10,000.00
2012	5.00%	10,000.00
2013	5.00%	10,000.00
2014	5.00%	15,000.00
2015	5.00%	15,000.00
2016	5.00%	15,000.00
2017	5.00%	15,000.00
2018	5.00%	15,000.00
2019	4.00%	15,000.00
2020	5.00%	15,000.00
2021	3.00%	15,000.00
2022	4.00%	20,000.00
2023	4.00%	20,000.00
2024	4.00%	20,000.00
2025	4.00%	20,000.00
2026	3.50%	20,000.00
2027	4.00%	20,000.00
2028	4.00%	25,000.00
2029	4.00%	25,000.00
		320,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Issued	Balance Oct. 31, 2010
3/10/10	956,850.00	Sewer Revenue Bonds	956,850.00	956,850.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2011	0.00%	50,360.52
2012	0.00%	50,360.52
2013	0.00%	50,360.52
2014	0.00%	50,360.52
2015	0.00%	50,360.52
2016	0.00%	50,360.52
2017	0.00%	50,360.52
2018	0.00%	50,360.52
2019	0.00%	50,360.52
2020	0.00%	50,360.52
2021	0.00%	50,360.52
2022	0.00%	50,360.52
2023	0.00%	50,360.52
2024	0.00%	50,360.52
2025	0.00%	50,360.52
2026	0.00%	50,360.52
2027	0.00%	50,360.52
2028	0.00%	50,360.52
2029	0.00%	50,360.64
		956,850.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2010

NJEIT ARRA Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Issued	Balance Oct. 31, 2010
3/10/10	121,157.44	Sewer Revenue Bonds	121,157.44	121,157.44

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2011	0.30%	5,336.82
2012	0.59%	5,352.83
2013	0.81%	5,384.41
2014	1.14%	5,428.02
2015	1.53%	5,489.90
2016	1.94%	5,573.90
2017	2.26%	5,682.03
2018	2.53%	5,810.45
2019	2.72%	5,957.45
2020	2.88%	6,119.49
2021	3.11%	6,295.74
2022	3.26%	6,491.53
2023	3.37%	6,703.16
2024	3.50%	6,929.05
2025	3.60%	7,171.57
2026	3.66%	7,429.75
2027	3.80%	7,701.68
2028	3.89%	7,994.34
2029	3.99%	8,305.32
		121,157.44

NJEIT ARRA Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Issued	Forgave	Balance Oct. 31, 2010
3/10/10	344,000.00	Sewer Revenue Bonds	344,000.00	230,000.00	114,000.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2011	0.00%	6,000.00
2012	0.00%	6,000.00
2013	0.00%	6,000.00
2014	0.00%	6,000.00
2015	0.00%	6,000.00
2016	0.00%	6,000.00
2017	0.00%	6,000.00
2018	0.00%	6,000.00
2019	0.00%	6,000.00
2020	0.00%	6,000.00
2021	0.00%	6,000.00
2022	0.00%	6,000.00
2023	0.00%	6,000.00
2024	0.00%	6,000.00
2025	0.00%	6,000.00
2026	0.00%	6,000.00
2027	0.00%	6,000.00
2028	0.00%	6,000.00
2029	0.00%	6,000.00
		114,000.00

	Balance Oct. 31, 2009	Issued (Redeemed)	Balance Oct. 31, 2010
Summary Total of all Bonds and Loans	45,177,758.25	(2,080,444.77)	43,097,313.48
Issued		1,742,007.44	
Redeemed		(3,592,452.21)	
Forgave		(230,000.00)	
		(2,080,444.77)	

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states “Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971, c. 198 (C.40A:11-3), except by contract or agreement.”

The Authority has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor’s opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for “Professional Services” per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold “for the performance of any work or the furnishing or hiring of any materials or supplies”, other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Cash Management Program

The Authority adopted a cash management plan in accordance with N.J.A.C. 5:31-3.1.

All money received by the Authority is deposited within 48 hours in its legal depositories. The investment of Authority funds is in interest bearing accounts. The practice of cashing checks with public funds is prohibited.

All disbursements are made only after the approval of the members of the Authority. All other transfers are made by the Trustee who is also responsible for investing Authority funds in accordance with the Bond Resolution.

Examination of Claims

An examination of claims paid during the period under review indicated no discrepancies with respect to claimant’s certification and acknowledgment of receipt as required by N.J.A.C. 5:31-4.1.

Accounting System
The records maintained by the Authority were found to be in good condition.

A general ledger has been established by the Authority. The general ledger is the official permanent financial record of the Authority which provides a summary of all financial transactions as they have been recorded in the books of original entry utilizing a "double entry" accounting system.

Fixed Assets
A fixed asset accounting and reporting system has been established by the Authority. Fixed assets comprise the most significant investment of the Authority, therefore, it is important that these assets are properly safeguarded. A system for maintaining and verifying fixed assets can provide these safeguards as well as provide valuable management information.

RECOMMENDATIONS

None

Acknowledgment
We received the complete cooperation of all the officials of the Authority and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252